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CHINA IN MIDST OF GREATEST BUBBLE IN HISTORY,' RICKARDS SAYS

March 17, 2010 Bloomberg.com reported: "China is in the midst of the greatest bubble in history," said James Rickards, former general counsel of hedge fund Long-Term Capital Management LP. The Chinese central bank's balance sheet resembles that of a hedge fund buying dollars and short-selling the yuan, said Rickards, now the senior managing director for market intelligence at McLean, Virginia-based consulting firm Omnis Inc.

"As I see it, it is the greatest bubble in history with the most massive misallocation of wealth," Rickards said at the Asset Allocation Summit Asia 2010 organized by Terrapinn Pte in Hong Kong yesterday. China "is a bubble waiting to burst."

Rickards joins hedge fund manager Jim Chanos, Gloom, Boom & Doom publisher Marc Faber and Harvard University professor Kenneth Rogoff in warning of a potential crash in China's economy. The government has raised banks' reserve requirements twice this year after economic growth accelerated and property prices rallied.

China has pegged the yuan to the dollar since July 2008 to help exporters weather the global recession. The central bank buys dollars and sells its own currency to prevent the yuan strengthening, driving foreign-exchange reserves to a world-record \$2.4 trillion as of December.

The Shanghai Composite Index of stocks jumped 80 percent last year and property prices rose at the fastest pace in almost two years in February, helped by a record 9.59 trillion yuan (\$1.4 trillion) of new loans in 2009.

The World Bank indicated today that China should raise interest rates to help contain the risk of a property bubble and allow a stronger yuan to help damp inflation expectations. The nation's "massive monetary stimulus" risks triggering large asset-price increases, a housing bubble, and bad debts from the financing of local-government projects, Washington-based World Bank said in a quarterly report on China released in Beijing.

"People making comments about bubbles possibly don't have all the facts," HSBC Holdings Plc Chief Executive Officer Michael Geoghegan said in Shanghai today. Regulators are in control of the banking industry, and have the ability to curb lending as needed..."

US MAY BE SEEKING ISRAEL 'REGIME CHANGE'

March 17, 2010 AFP reported: "The Obama administration's row with Israel over settlements has prompted some analysts to wonder whether it seeks "regime change," a new government that can make peace with the Palestinians.

However, the analysts doubt that President Barack Obama's administration, which has made Arab-Israeli peace a national security priority, will achieve anything if it has indeed adopted such a strategy.

In unusually harsh words, Secretary of State Hillary Clinton told Prime Minister Benjamin Netanyahu on Friday that his right-wing government's plans to build new settler homes in east Jerusalem sent a "deeply negative signal" about Israel's ties to its top ally.

"Is this about regime change, or is it about (Israeli) behavior modification?" asked Aaron David Miller, a Middle East peace negotiator in past Republican and Democratic administrations.

"Because either way, it's going to be a rocky ride," Miller told AFP.

"If it's the former, then I think we're naive in the extreme in thinking that we will be able to produce and somehow manage that," said Miller, now at the Woodrow Wilson International Center for Scholars in Washington.

Miller said Obama and Clinton may be trying to create the impression Netanyahu is "mismanaging the relationship" with Washington in order to shake up Israeli politics.

After all, he said, former president George H.W. Bush and his top diplomat James Baker did much the same thing with then Israeli prime minister Yitzhak Shamir and helped pave the way for Yitzhak Rabin to become prime minister. "But there are no more Rabins," Miller said. "..."



N. KOREA NOW POSSESSES 1,000 MISSILES: SEOUL MINISTER

March 17, 2010 Agence France-Presse reported: "North Korea now has 1,000 missiles of various types, South Korea's defence minister said Wednesday, a 25-percent increase on the number estimated two years ago.

Minister Kim Tae-Young also reminded a Seoul forum that the communist state is pushing ahead with a highly enriched uranium programme, a second way to make atomic weapons in addition to its plutonium enrichment.

The 1,000 missiles include Scuds, Rodongs and IRBMs (intermediate-range ballistic missiles), a ministry spokeswoman told AFP. Two years ago, the ministry estimated the total at around 800. Many of the missiles are deployed near the inter-Korean border and targeted at Seoul or other locations in the South, officials have said.

Yonhap news agency said last week the North has set up a new military division to operate IRBMs with a range of more than 3,000 kilometres (1,860 miles), capable of hitting US bases in Japan and Guam. It is also known to have test-launched three intercontinental

Taepodong missiles, which in theory could reach Alaska.

Kim, reiterating earlier estimates, said the North has produced 30-40 kilograms (66-88 pounds) of weapons-grade plutonium from its plutonium programme. Experts say this is enough to build six or seven bombs.”...”

GREECE UPS STAKES IN QUEST FOR EU HELP

March 18, 2010 Reuters reported: “Greece raised the stakes on Thursday in its quest for EU help to tackle its debt crisis, saying it cannot achieve promised deficit cuts if its borrowing costs remain so high and may have to call in the IMF. But Athens dismissed a report that it was planning to turn to the global lender as soon as early April if European Union leaders do not agree on a rescue plan next week, calling IMF aid a last resort and saying all options were still open.

Market concerns that it may prove impossible to construct a euro zone financial safety net for the currency area's most heavily indebted member due to German reluctance sent the euro lower and hit Greek bank shares and bonds.

In the latest signs of tension in the euro zone, Spain urged German Chancellor Angela Merkel to avoid talk of possibly expelling fellow members from the single currency, saying such comments could be misconstrued.

“What we have to do is coordinate economic policies and not send messages that could be misunderstood,” Economy Minister Elena Salgado, who chairs the council of EU finance ministers, told Europa Press news agency in Madrid.

And former Belgian Prime Minister Guy Verhofstadt, now leader of the liberal group in the European Parliament, said he found Merkel's talk of expulsion “very disturbing” and “frankly shocking.”...”

GERMAN ARMS EXPORTS DOUBLE IN FIVE YEARS

March 15, 2010 The Local, Germany's News in English: “Sales of mainly submarines and armoured vehicles helped Germany capture 11 percent of the global arms market, compared to 30 percent and 23 percent for the United States and Russia, the study from the Stockholm International Peace Research Institute (SIPRI) said.



Warships made up 44 percent of all arms exports, while armoured vehicles accounted for 27 percent. The study included the sale of used military wares and goods given away to allies.



Germany's most important customers included Turkey, Greece and South Africa. Fourteen percent of Germany's arms exports went to Turkey, while Greece bought 13 percent and South Africa imported 12 percent – but SIPRI did not place a price tag on the goods.

The growth is part of a worldwide increase of 22 percent in weapons sales in the last five years, particularly in the trade of extremely expensive fighter planes. SIPRI warned of an arms race in tense regions like the Middle East, North Africa, South America and South Asia. Meanwhile Greece has become one of the world's top-five importers despite being on the verge of bankruptcy.”

WASHINGTON MULLS MODERNIZATION OF AGING BOMBS

March 15, 2010 SpiegelOnline reported: “In a move that could have an impact on the future of nuclear weapons stored in Germany and other parts of Europe, the United States Department of Energy has included requests in its latest budget proposal for funding to modernize parts of the country's aging nuclear arsenal -- a move that would seem to contradict the vision of a nuclear weapons-free world President Barack Obama announced last year.

From 2011 to 2015, the agency wants to allocate close to \$2 billion to push forward plans to modernize its arsenal of B-61 nuclear bombs. Some of these weapons are being kept in Europe, including some at storage facilities at the German air force base in Büchel. In total, the US Air Force still has around 150 strategic B-61 bombs in its active arsenal as well as around 400 non-strategic models and a reserve of around 200 further non-strategic bombs.

The weapons are leftovers of the nuclear arms race during the Cold War in Europe. The German government is currently seeking the removal of the bombs through consultations in NATO. The coalition contract between Chancellor Angela Merkel's Christian Democrats and Foreign Minister Guido Westerwelle's business-friendly Free Democratic Party (FDP) explicitly states that the government will push for the weapons' removal. Indeed, Westerwelle's public stance for removing the nuclear weapons has led to some alienation in Washington.

Germany and four other NATO states are expected to discuss the withdrawal of the approximately 200 nuclear weapons that are still being stored in Europe at a summit of NATO foreign ministers in Tallinn at the end of April. Should the budget request be approved, it could mean further hurdles to getting the weapons removed.

In the US, the National Nuclear Security Administration (NNSA) is responsible for the development, construction and modernization of nuclear weapons.”...It closely coordinates its plans with the Pentagon.”...”